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# Prairie Oil Royalties

COMPANY, LTD.



ANNUAL REPORT

1970



The Company's oil discovery well at Meekwap, Alberta.

#### **Directors:**

Edward G. Battle . . . . . Calgary, Alberta  
 Stewart R. Dyckman . . . . . Calgary, Alberta  
 Edward A. Galvin . . . . . Calgary, Alberta  
 Frederick A. McKinnon . . . . . Calgary, Alberta  
 Clifford A. Rae . . . . . Calgary, Alberta  
 David M. Tyerman, Q.C. . . . . Regina, Saskatchewan

#### **Officers:**

Edward G. Battle . . . . . President  
 Stewart R. Dyckman . . . . . Vice-President  
 David M. Tyerman, Q.C. . . . . Secretary  
 A. Kenneth Davies . . . . . Treasurer  
 Laurence A. Sills . . . . . Assistant Secretary

#### **Head Office:**

640 - Eighth Avenue S.W., Calgary 2, Alberta



# PRAIRIE OIL ROYALTIES COMPANY, LTD.

## DIRECTORS' REPORT TO THE SHAREHOLDERS:

The Directors' Report for 1970 together with the audited consolidated financial statements for the year ended December 31, 1970 are presented herewith.

### FINANCIAL

Revenue for the year 1970 was \$930,000, up from \$867,000 in 1969. Accompanied by a reduction in expenses this resulted in net earnings of \$518,000 in 1970 compared to \$425,000 in 1969 or 26¢ and 22¢ per share respectively. Cash income was \$750,000 in 1970 or 38¢ a share compared to \$672,000 or 34¢ a share in 1969.

### PRODUCTION

Average net daily oil production increased to 846 barrels from the 1969 daily average of 827 barrels. Average net daily gas production for the year was 2,988 MCF compared to 2,835 MCF for 1969. This 5% increase was due primarily to additional production from the Ghost Pine and East Acadia fields of Alberta.

### EXPLORATION

The Company participated in nine drilling projects, two in the Arctic, and one in each of the Cherhill, Brewster, Carstairs, Acadia and Pembina areas of Alberta and the Flatrock and Milligan areas of British Columbia, as shown in the following summary:

#### EXPLORATORY WELLS

|                  | <u>Oil</u>   |            | <u>Gas</u>   |            | <u>Dry and Abandoned</u> |            | <u>1970 Total</u> |            | <u>1969 Total</u> |            |
|------------------|--------------|------------|--------------|------------|--------------------------|------------|-------------------|------------|-------------------|------------|
|                  | <u>Gross</u> | <u>Net</u> | <u>Gross</u> | <u>Net</u> | <u>Gross</u>             | <u>Net</u> | <u>Gross</u>      | <u>Net</u> | <u>Gross</u>      | <u>Net</u> |
| Alberta          | —            | —          | —            | —          | 5                        | 2.27       | 5                 | 2.27       | 3                 | 2.0        |
| British Columbia | —            | —          | —            | —          | 2                        | .80        | 2                 | .80        | —                 | —          |
| Saskatchewan     | —            | —          | —            | —          | —                        | —          | —                 | —          | 2                 | 1.5        |
| Canadian Arctic  | —            | —          | 1            | .03        | 1                        | .02        | 2                 | .05        | —                 | —          |
| Totals           | —            | —          | 1            | .03        | 8                        | 3.09       | 9                 | 3.12       | 5                 | 3.5        |

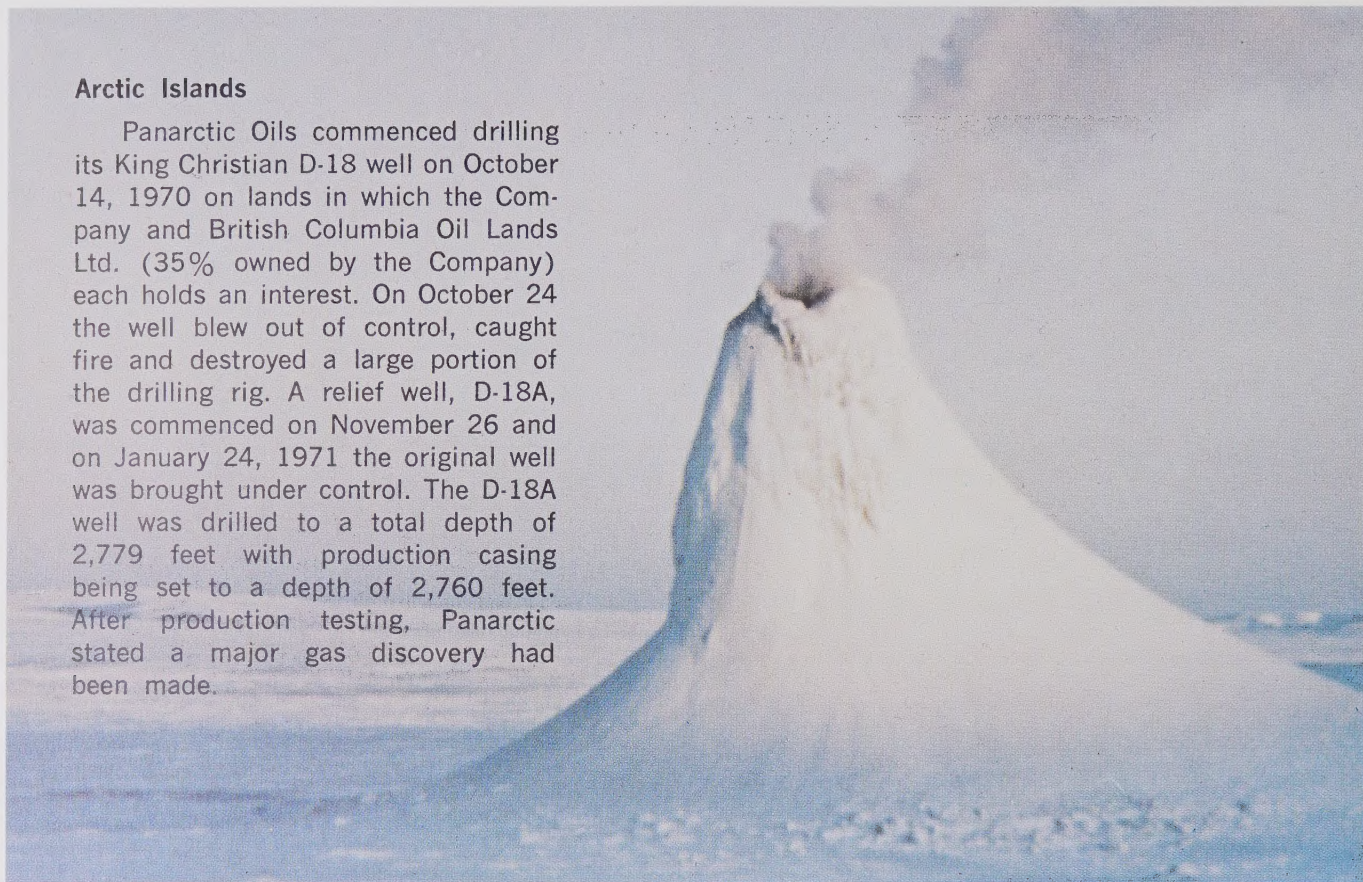
(Note: No development wells have been drilled.)

In addition to the above, varying gross royalty interests were held in 29 oil wells and 2 gas wells, all of which were drilled in 1970.



## Arctic Islands

Panarctic Oils commenced drilling its King Christian D-18 well on October 14, 1970 on lands in which the Company and British Columbia Oil Lands Ltd. (35% owned by the Company) each holds an interest. On October 24 the well blew out of control, caught fire and destroyed a large portion of the drilling rig. A relief well, D-18A, was commenced on November 26 and on January 24, 1971 the original well was brought under control. The D-18A well was drilled to a total depth of 2,779 feet with production casing being set to a depth of 2,760 feet. After production testing, Panarctic stated a major gas discovery had been made.

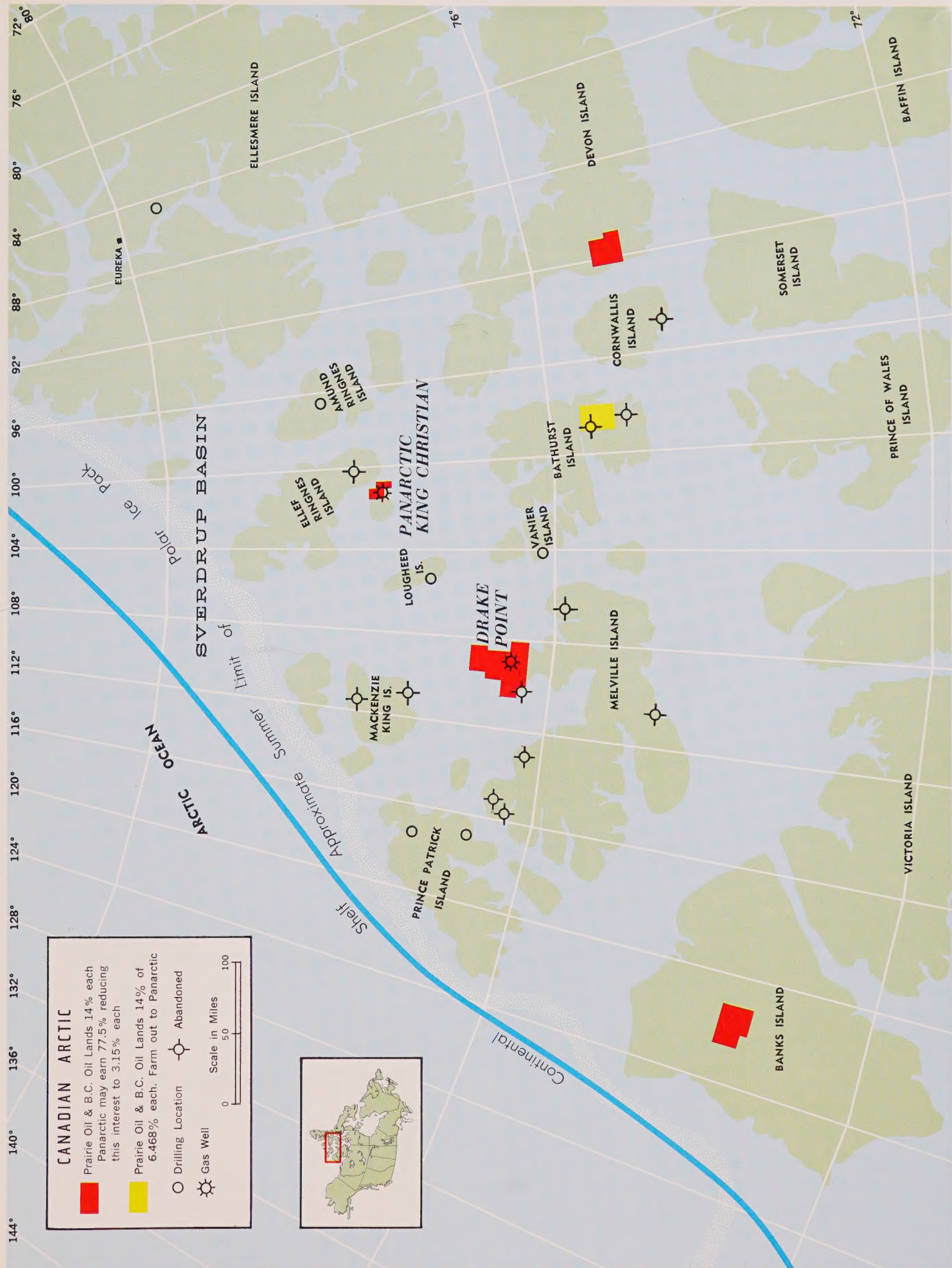


A mountain of ice 175-feet high, created by the freezing of salt water produced with wild gas blow from the Drake Point well No. L-67 on Melville Island.








The original King Christian Island D-18 well on fire.





### CANADIAN ARCTIC

-  Prairie Oil & B.C. Oil Lands 14% each  
Panarctic may earn 77.5% reducing  
this interest to 3.15% each
-  Prairie Oil & B.C. Oil Lands 14% of  
6.468% each. Farm out to Panarctic
-  Drilling Location
-  Gas Well
-  Abandoned

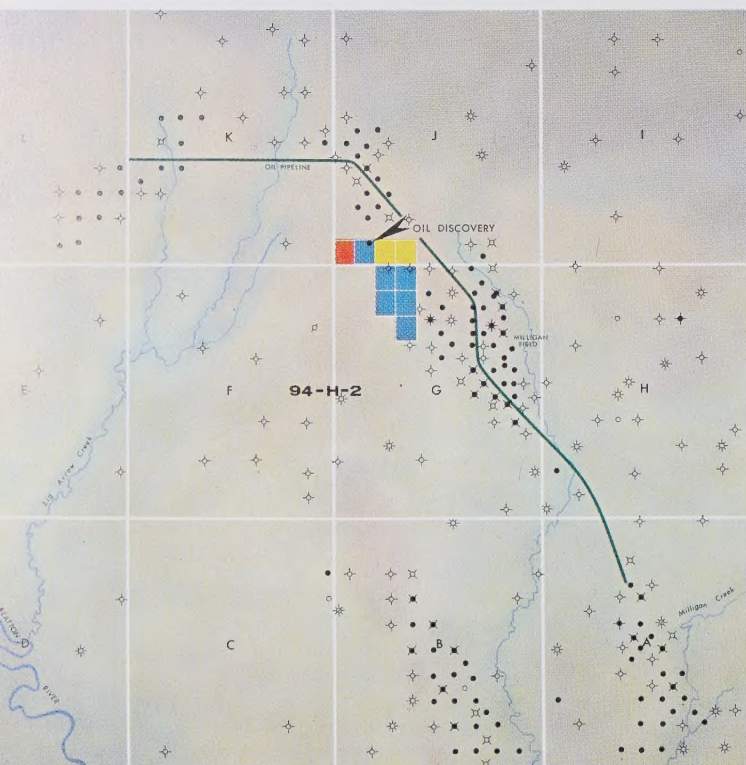
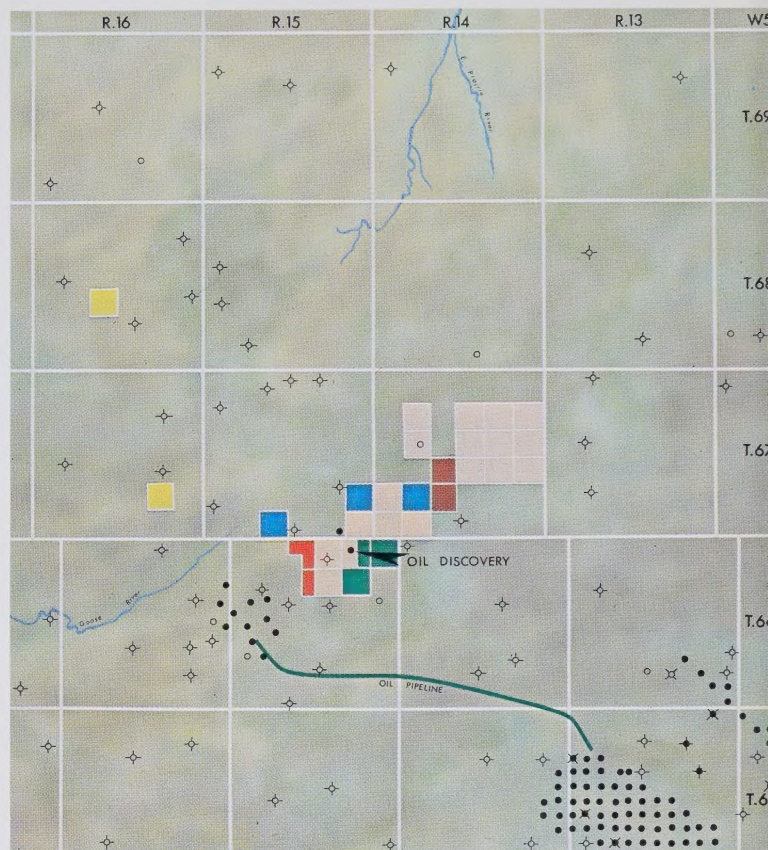
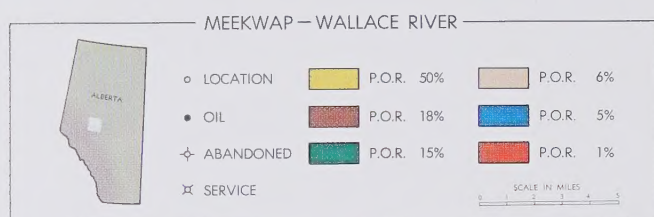
Scale in Miles  
0 50 100





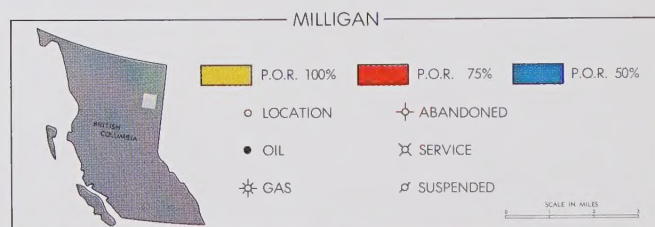
## Meekwap-Wallace River, Alberta

The Company, early in 1971, drilled a Devonian oil discovery in the Wallace River area of central Alberta. The well is located approximately three miles east of the Meekwap Devonian oil field, which is currently under development. Additional drilling will be carried out during 1971. The Company presently has interests varying from 1% to 18% in acreage in the vicinity of the discovery.



## Milligan Creek, British Columbia

Through farmin, and purchase from the Crown, the Company has acquired interests varying from 50% to 100% in 1560 acres of Petroleum and Natural Gas Leases. Two wells have been drilled on the properties. The first was abandoned after obtaining a non-commercial oil show. The second has been completed as an oil discovery well. Additional development drilling will be done.





## ACREAGE HOLDINGS

At December 31, 1970 the acreage holdings of the Company, and of British Columbia Oil Lands Ltd. (35% owned by the Company), were as shown below.

ON BEHALF OF THE BOARD

*E. J. Battle*

President.

Calgary, Alberta.

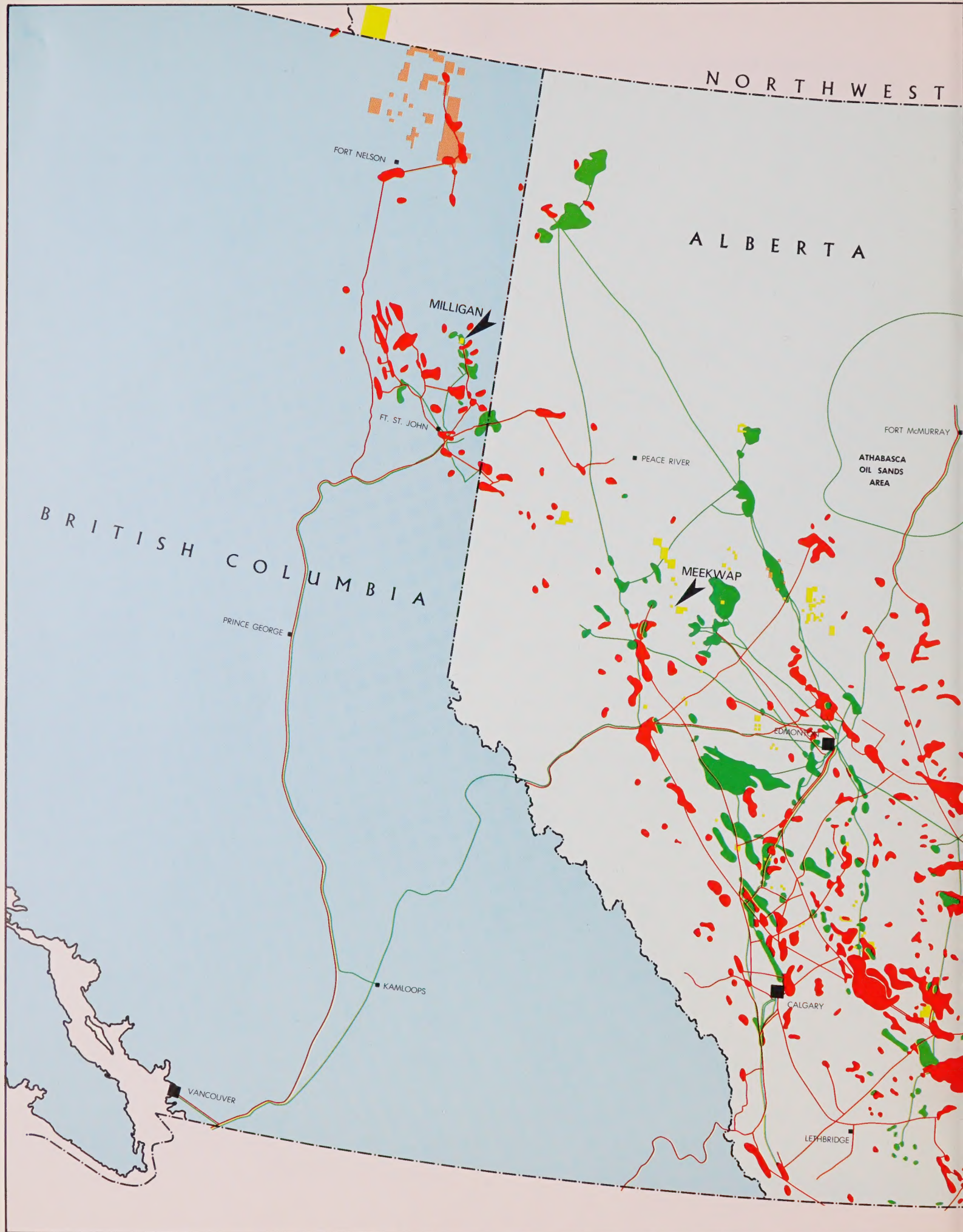
April 8, 1971

### Prairie Oil Royalties Company, Ltd.

| Area                        | Leases         |                | Reservations,<br>Permits & Licences |                | Gross<br>Royalty<br>Acres |
|-----------------------------|----------------|----------------|-------------------------------------|----------------|---------------------------|
|                             | Gross          | Net            | Gross                               | Net            |                           |
| Canadian Arctic .....       | —              | —              | 2,648,414                           | 273,127        | —                         |
| Northwest Territories ..... | —              | —              | —                                   | —              | 18,021                    |
| Manitoba .....              | 31,734         | 11,080         | —                                   | —              | —                         |
| Saskatchewan .....          | 81,528         | 49,605         | —                                   | —              | 368,739                   |
| Alberta .....               | 152,080        | 69,348         | 116,640                             | 85,119         | 3,029                     |
| British Columbia .....      | 666            | 666            | —                                   | —              | —                         |
|                             | <u>266,008</u> | <u>130,699</u> | <u>2,765,054</u>                    | <u>358,246</u> | <u>389,789</u>            |

### British Columbia Oil Lands, Ltd.

| Area                   | Leases        |               | Reservations,<br>Permits & Licences |                | Net Carried<br>Interest Acreage |               | Gross<br>Royalty<br>Acres |
|------------------------|---------------|---------------|-------------------------------------|----------------|---------------------------------|---------------|---------------------------|
|                        | Gross         | Net           | Gross                               | Net            | Gross                           | Net           |                           |
| Canadian Arctic .....  | —             | —             | 2,648,414                           | 273,127        | —                               | —             | —                         |
| Alberta .....          | 5,440         | 488           | —                                   | —              | —                               | —             | —                         |
| British Columbia ..... | 44,686        | 22,575        | —                                   | —              | 404,892                         | 81,099        | 5,882                     |
|                        | <u>50,126</u> | <u>23,063</u> | <u>2,648,414</u>                    | <u>273,127</u> | <u>404,892</u>                  | <u>81,099</u> | <u>5,882</u>              |











TERRITORIES

### WESTERN CANADA

Land Interests of:

|  |                                     |   |               |
|--|-------------------------------------|---|---------------|
|  | Prairie Oil Royalties Company, Ltd. |  | Oil Pipelines |
|  | British Columbia Oil Lands Ltd.     |  | Gas Pipelines |
|  | Oil fields                          |   |               |
|  | Gas fields                          |   |               |

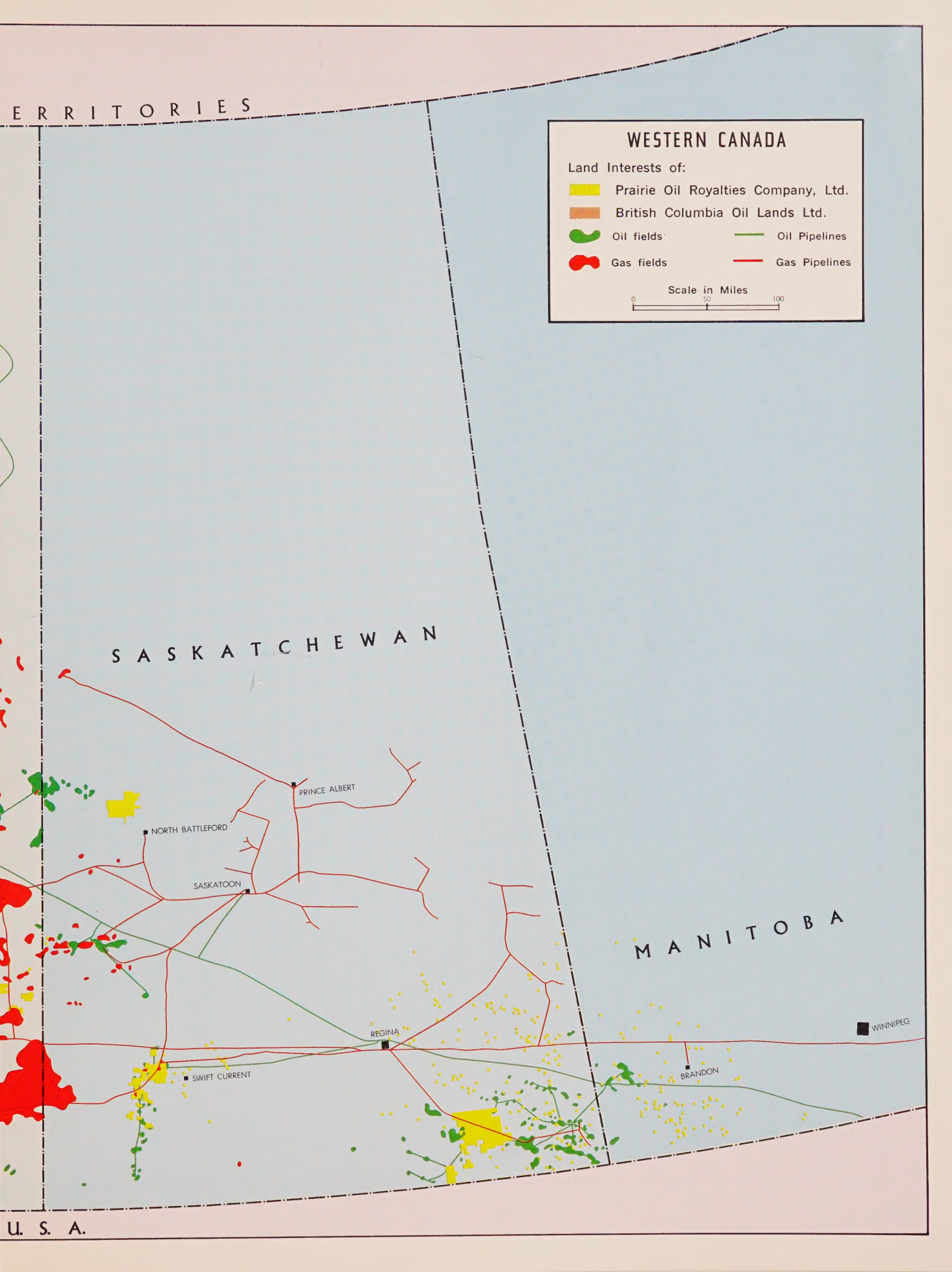
Scale in Miles

0 50 100

SASKATCHEWAN

MANITOBA

U. S. A.





# CONSOLIDATED BALANCE SHEET

As at December 31, 1970

## Assets

|  | <u>1970</u>        | <u>1969</u>        |
|--|--------------------|--------------------|
| CURRENT  |                    |                    |
| Cash . . . . .                                     | \$ 116,025         | \$ 100,141         |
| Short-term deposits . . . . .                      | 1,200,000          | 900,000            |
| Accounts receivable . . . . .                      | 78,253             | 83,474             |
| Deposits and prepaid expenses . . . . .            | 48,224             | 37,875             |
|  | <u>1,442,502</u>   | <u>1,121,490</u>   |
| INVESTMENTS, at cost                               |                    |                    |
| British Columbia Oil Lands Ltd. (Note 2) . . . . . | 2,009,117          | 2,009,117          |
| Other . . . . .                                    | 20                 | 20                 |
|  | <u>2,009,137</u>   | <u>2,009,137</u>   |
| PROPERTY, PLANT AND EQUIPMENT, at cost             |                    |                    |
| (Notes 1 and 3) . . . . .                          | 4,355,217          | 3,853,703          |
| Accumulated depletion and depreciation . . . . .   | 1,186,990          | 954,819            |
|  | <u>3,168,227</u>   | <u>2,898,884</u>   |
|  | <u>\$6,619,866</u> | <u>\$6,029,511</u> |



PRAIRIE OIL ROYALTIES COMPANY, LTD.  
AND SUBSIDIARY COMPANIES

**Liabilities**

|                            | <u>1970</u> | <u>1969</u> |
|----------------------------|-------------|-------------|
| CURRENT                    |             |             |
| Accounts payable . . . . . | \$ 95,645   | \$ 23,061   |

**Shareholders' Equity**

CAPITAL STOCK

    Authorized

        2,500,000 shares of \$1 par value

    Issued

|   |                  |                  |
|---|------------------|------------------|
| 1,961,520 shares . . . . .                        | 1,961,520        | 1,961,520        |
| PAID-IN SURPLUS (no change during year) . . . . . | 574,330          | 574,330          |
| RETAINED EARNINGS . . . . .                       | 3,988,371        | 3,470,600        |
|   | <u>6,524,221</u> | <u>6,006,450</u> |

Signed on behalf of the Board:

    E. G. Battle, Director

    Stewart R. Dyckman, Director

\$6,619,866

\$6,029,511



## CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

For the Year Ended December 31, 1970

|  | <u>1970</u>        | <u>1969</u><br>(Unaudited) |
|--|--------------------|----------------------------|
| REVENUE  |                    |                            |
| Oil and gas . . . . .                            | \$ 297,298         | \$ 274,225                 |
| Royalties . . . . .                              | 543,686            | 534,604                    |
| Interest . . . . .                               | 89,105             | 57,715                     |
|  | <u>930,089</u>     | <u>866,544</u>             |
| EXPENSE  |                    |                            |
| Production . . . . .                             | 77,586             | 77,522                     |
| General and administrative . . . . .             | 102,561            | 116,799                    |
| Depletion . . . . .                              | 181,932            | 197,060                    |
| Depreciation . . . . .                           | 50,239             | 49,844                     |
|  | <u>412,318</u>     | <u>441,225</u>             |
| NET EARNINGS (Note 4) . . . . .                  | 517,771            | 425,319                    |
| Retained earnings at beginning of year . . . . . | 3,470,600          | 3,045,281                  |
| RETAINED EARNINGS AT END OF YEAR . . . . .       | <u>\$3,988,371</u> | <u>\$3,470,600</u>         |

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended December 31, 1970

|  | <u>1970</u>       | <u>1969</u><br>(Unaudited) |
|--|-------------------|----------------------------|
| FUNDS DERIVED FROM                           |                   |                            |
| Operations                                   |                   |                            |
| Net earnings . . . . .                       | \$ 517,771        | \$ 425,319                 |
| Non-cash items . . . . .                     | 232,171           | 246,904                    |
|  | <u>749,942</u>    | <u>672,223</u>             |
| FUNDS APPLIED TO                             |                   |                            |
| Property, plant and equipment, net . . . . . | 501,514           | 356,765                    |
| INCREASE IN WORKING CAPITAL . . . . .        | <u>\$ 248,428</u> | <u>\$ 315,458</u>          |



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 1970

### Note 1 ACCOUNTING POLICIES

In 1969 the companies changed their fiscal year ends from June 30 to December 31.

The consolidated financial statements include the accounts of the Company's wholly-owned subsidiaries, Prairie Oil Exploration Ltd. and Prairie Gas & Oil Ltd.

The companies follow the practice of capitalizing both productive and non-productive costs related to the exploration for and the development of oil and gas reserves, and of depleting such costs on a composite unit of production method based on total estimated reserves.

Depreciation of plant and equipment is being provided at rates which will amortize the original costs over the estimated useful lives of the respective assets.

### Note 2 INVESTMENTS

The investment in British Columbia Oil Lands Ltd. consists of 333,531 shares representing approximately 35% of that company's outstanding capital stock, with an approximate market value of \$2.3 million. Because of the number of shares of British Columbia Oil Lands Ltd. involved, the market value is not necessarily indicative of the amount that could be realized on sale.

### Note 3 PROPERTY, PLANT AND EQUIPMENT

|   | 1970               |  |                    | 1969               |
|---|--------------------|--|--------------------|--------------------|
|   | Cost               | Accumulated<br>Depreciation<br>and Depletion | Net                | Net                |
| Oil and gas properties . . . .              | \$3,815,822        | \$ 924,916                                   | \$2,890,906        | \$2,569,464        |
| Oil and gas<br>production equipment . . . . | 539,395            | 262,074                                      | 277,321            | 329,420            |
|   | <u>\$4,355,217</u> | <u>\$1,186,990</u>                           | <u>\$3,168,227</u> | <u>\$2,898,884</u> |

### Note 4 INCOME TAXES

For income tax purposes the companies have claimed drilling, exploration and lease acquisition costs and capital cost allowances in amounts which, in the aggregate, exceed the related depletion and depreciation provisions reflected in the accounts. As a result, income taxes for the year ended December 31, 1970 have been eliminated and at December 31, 1970 expenditures remain to be carried forward (subject to assessment by taxation authorities) and applied against future taxable income in the amount of \$810,000.

It is the policy of the companies to provide for deferred income taxes at such time as taxes otherwise payable are deferred as a result of claiming capital cost allowances in excess of depreciation recorded. This policy permits the Company to claim capital cost allowance in excess of book depreciation without providing for deferred tax in its accounts provided it has other tax deductions available to eliminate taxable income. However, management does not believe that it is appropriate to provide for income taxes deferred as a result of claiming for income tax purposes drilling, exploration and lease acquisition costs in excess of depletion provided in the accounts; while the view of management conforms with general practice in the oil and gas industry, it differs from the tax allocation basis of accounting recommended by the Accounting and Auditing Research Committee of The Canadian Institute of Chartered Accountants under which the income tax provision is based on the earnings reported in the accounts.

If the tax allocation basis had been followed for all timing differences between taxable income and reported income, deferred income tax provisions would have been \$210,000 for the year ended December 31, 1970, and \$170,000 for the year ended December 31, 1969. The accumulated income tax reductions relating to all timing differences in the current year and prior years amount to approximately \$910,000 at December 31, 1970.

### Note 4 DIRECTORS' FEES

Included in general and administrative expense in the consolidated statement of earnings is \$2,800 directors' fees.



## *Riddell, Stead & Co.*

CHARTERED ACCOUNTANTS 407 Eighth Avenue S.W. Calgary 2, Alberta

### AUDITORS' REPORT

To the Shareholders  
Prairie Oil Royalties Company, Ltd.

We have examined the consolidated balance sheet of Prairie Oil Royalties Company, Ltd. and subsidiary companies as at December 31, 1970 and the consolidated statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

February 8, 1971

*Riddell, Stead & Co.*

**Registered Office:**

2236 Albert Street, Regina, Saskatchewan

**Auditors:**

RIDDELL, STEAD & CO., Calgary, Alberta

**Registrars & Transfer Agents:**

CANADA PERMANENT TRUST COMPANY,  
Regina, Saskatchewan, and Toronto,  
Ontario

MORGAN GUARANTY TRUST COMPANY OF  
NEW YORK, New York, N.Y.

**Stock Exchange Listings:**

TORONTO STOCK EXCHANGE, Toronto,  
Ontario

AMERICAN STOCK EXCHANGE, New York,  
N.Y.



PRAIRIE OIL ROYALTIES COMPANY, LTD.  
ANNUAL REPORT 1970

FOOTHILL PRINTERS LIMITED CALGARY



**PRAIRIE OIL ROYALTIES COMPANY, LTD.**

Notice of  
Annual General Meeting of Shareholders  
APRIL 27th, 1971

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of Prairie Oil Royalties Company, Ltd. (hereinafter called the "Company") will be held in the Board Room of Canadian Industrial Gas & Oil Ltd. at 12th Floor, 640 Eighth Avenue S.W., Calgary 2, Alberta, on Tuesday the 27th day of April, 1971, at 9:30 o'clock in the forenoon, Mountain Standard Time for the following purposes:

1. To receive, consider and, if thought fit, approve the Directors' Report, the Consolidated Financial Statements for the year ended December 31, 1970, and the Auditors' Report;
2. To elect directors;
3. To appoint auditors and to delegate to the Board of Directors the authority to determine the amount of their remuneration; and
4. To transact such other business as may properly be brought before the Meeting or at any adjournment or adjournments thereof.

The Board of Directors has fixed the close of business on March 31st, 1971, as the record date for the determination of shareholders entitled to notice of, and to vote at, the said Meeting or any adjournment or adjournments thereof. The transfer books will not be closed. Shareholders who do not expect to attend the Meeting in person are requested to complete, sign and detach the Instrument of Proxy at page 7 hereof and forward it in the envelope provided to the Secretary of the Company, c/o Canada Permanent Trust Company, 315 Eighth Avenue S.W., Calgary 2, Alberta, to reach that address no later than forty-eight (48) hours before the time fixed for the commencement of the Meeting.

DATED at the City of Regina in the Province of Saskatchewan, Canada, this 8th day of April, 1971.

BY ORDER OF THE BOARD OF DIRECTORS.

D. M. TYERMAN,  
Secretary.



# PRAIRIE OIL ROYALTIES COMPANY, LTD.

## Proxy Statement

### Solicitation of Proxies

This Proxy Statement is furnished in connection with the solicitation of proxies by the Management of Prairie Oil Royalties Company, Ltd., (hereinafter called the "Company"), to be used at the Annual General Meeting of the Company to be held on April 27, 1971, at the time and place and for the purposes set forth in the accompanying Notice of Meeting. The solicitation will be by mail, but proxies may also be solicited personally by the Directors and Officers of the Company. All expenses in connection with this solicitation by the Management to the registered shareholders will be borne by the Company.

### Appointment, Revocation and Delivery of Proxies

The persons named in the attached Instrument of Proxy are directors of the Company. **A shareholder desiring to appoint some other person to represent him at the Meeting may do so** either by inserting such person's name in the blank space provided in the Instrument of Proxy, or by completing another proper form of proxy and in either case depositing it with the Secretary of the Company within the time hereinafter specified for receipt of Instruments of Proxy. A person appointed as a proxy need not be a shareholder of the Company.

A shareholder who has given an Instrument of Proxy may revoke it as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by it, by signing another Instrument of Proxy bearing a later date and depositing it with the Secretary of the Company within the time hereinafter specified for receipt of Instruments of Proxy, or by signing a written notice of revocation and depositing it with the Secretary of the Company at 640 Eighth Avenue S.W., Calgary 2, Alberta, on or before the day preceding the Meeting or delivering it to the Chairman at the Meeting.

An Instrument of Proxy to be voted at the Meeting must be received by the Secretary of the Company, c/o Canada Permanent Trust Company, 315 Eighth Avenue S.W., Calgary 2, Alberta, not less than forty-eight (48) hours before the time fixed for the commencement of the Meeting; otherwise it shall be invalid.

### Exercise of Discretion by Proxies

The persons named in the attached Instrument of Proxy will, if it is duly completed and timely deposited, vote the shares in respect of which they are appointed in accordance with any specifications indicated in the manner provided by the form of Instrument of Proxy. **In the absence of any direction to the contrary, the shares represented by the Instruments of Proxy, duly completed and timely deposited, will be voted (a) for the approval of the Directors' Report, Financial Statements and Auditors' Report (b) for the election of directors, and (c) for the appointment of auditors, as stated under those headings in this Proxy Statement.**

In case the address of a shareholder signing an Instrument of Proxy appears on the records of the Company to be in the United States of America, it will not be used in connection with any vote on the Directors' Report, Financial Statements and Auditors' Report.

The attached Instrument of Proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. At the time of printing this Proxy Statement, the Management of the Company knows of no such amendments, variations or other matters to come before the Meeting, other than the matters referred to in the Notice of Meeting.

### Voting Shares

Pursuant to Article 103 of the Articles of Association of the Company, the Board of Directors has fixed the close of business on March 31, 1971, as the record date for the Meeting, and accordingly the only persons entitled to attend and vote at the Meeting, or to be represented thereat by proxy, will be

registered shareholders of record on the said date. The transfer books will not be closed. The Articles of Association of the Company provide that a resolution put to a vote at any general meeting shall be decided on a show of hands or by a poll if demanded by at least two shareholders before or on a declaration of the result of the show of hands vote. Each shareholder of record present in person is entitled to one vote on a show of hands, and on a poll each shareholder of record present in person or represented by proxy, is entitled to one vote for each share held. The Instrument of Proxy attached hereto provides that the person or persons appointed as proxies therein and attending the Meeting, will exercise their authority thereunder to demand a poll upon every vote which is taken at the Meeting.

The Articles of Association of the Company provide that three shareholders personally present shall constitute a quorum, provided that in the event of adjournment for lack of quorum and a quorum not being present within half an hour from the time appointed for the adjourned meeting, the shareholders present shall be a quorum.

At the record date there were outstanding 1,961,520 shares of the capital stock of the Company, all of which are entitled to be voted at the Meeting.

### **Principal Shareholders and Ownership**

At the record date, the only person who, to the knowledge of the directors and senior officers of the Company, beneficially owned directly or indirectly, equity shares of the Company carrying more than 10% of the voting rights attached to all shares of the Company, was Canadian Industrial Gas & Oil Ltd. (hereinafter called "CIGOL"), an Alberta corporation of Calgary, Alberta, Canada, which owned 1,459,309 shares equal to 74% of the equity capital of the Company.

Northern and Central Gas Corporation Limited, ("N & C") an Ontario corporation of Toronto, Ontario, Canada, owned 13,112,529 Common shares of CIGOL equal to 65% of the total outstanding Common and Preferred share capital of that company.

The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the above named corporations.

### **Directors' Report, Financial Statements, etc.**

The Directors' Report, the Consolidated Financial Statements for the year ended December 31, 1970, and the Auditors' Report, will be presented for the consideration and approval of shareholders at the Meeting. The persons named in the attached Instrument of Proxy will vote the shares in respect of which they are appointed as directed, or, in the absence of any direction, in favour of the approval of the Directors' Report, Consolidated Financial Statements and the Auditors' Report, except that where the address of the shareholder signing the Proxy appears on the record of the Company to be in the United States of America, the shares will not be voted either for or against such approval.

### **Election of Directors**

The Articles of Association of the Company provide that all of the directors shall retire from office at each Annual General Meeting and shall be eligible for re-election. A director need not be a shareholder of the Company. There are six directors of the Company.

In the following table are stated the names of the six persons nominated by Management for election as directors of the Company, all of whom are at present directors and are eligible for re-election, together with their principal occupations or employments for the last five years, all other positions and offices with the Company now held by them (if any), the date on which each became a director of the Company and the number of shares of the Company and of CIGOL beneficially owned directly or indirectly by each as at March 12, 1971. The persons named in the attached Instrument of Proxy have stated they will vote for the election of the nominees whose names are set forth below. The Management knows of no reason why any of the nominees will be unable to serve as a director, but if notice is received that a nominee will not serve for any reason, the persons named in the attached Instrument of Proxy reserve, and are granted, the right to vote for another nominee in their discretion. Each director elected will hold office until the next Annual General Meeting.



| <i>Names and principal occupations<br/>for the last five years</i>  | <i>Served<br/>as a<br/>Director<br/>since</i> | <i>Shares beneficially owned as at<br/>March 12, 1971</i> |                         |                             |
|---|---|---|-------------------------|-----------------------------|
|   |   | <i>Company</i>  | <i>CIGOL<br/>Common</i> | <i>N &amp; C<br/>Common</i> |
| BATTLE, Edward G., Calgary, Alberta, Canada.<br>President of the Company. Director since April, 1969, and Executive Vice-President since August, 1966 of Canadian Industrial Gas & Oil Ltd. From March, 1965 to August, 1966, Vice-President, Production, of Canadian Industrial Gas & Oil Ltd. | May 19,<br>1966                               | NIL   | 1,900                   | 833                         |
| DYCKMAN, Stewart R., Calgary, Alberta, Canada.<br>Vice-President of the Company. Vice-President, Finance & Services, of Canadian Industrial Gas & Oil Ltd., since March, 1965.  | May 19,<br>1966                               | NIL   | 1,800                   | NIL                         |
| GALVIN, Edward A., Calgary, Alberta, Canada.<br>Director, President and Chief Executive Officer of Canadian Industrial Gas & Oil Ltd., since March, 1965. Director and Vice-President, Production, of Northern and Central Gas Corporation Limited, since July, 1966.                           | May 19,<br>1966                               | NIL   | 2,112                   | 6,163                       |
| McKINNON, Frederick A., Calgary, Alberta, Canada.<br>Director and President of BP Oil and Gas Ltd. since 1961. Director and President of Triad Oil Manitoba Ltd.  | May 19,<br>1966                               | NIL   | 400                     | 200                         |
| RAE, Clifford A., Calgary, Alberta, Canada.<br>Barrister and Solicitor. Partner with Macleod Dixon, Barristers and Solicitors, since February, 1966, and an associate with that firm since July, 1962.  | May 19,<br>1966                               | NIL   | NIL                     | NIL                         |
| TYERMAN, David M., Q.C., Regina, Saskatchewan, Canada.<br>Barrister and Solicitor. Secretary of the Company. Partner with MacPherson, Leslie & Tyerman, Barristers and Solicitors.  | July 18,<br>1963                              | NIL   | NIL                     | NIL                         |

NOTE: The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective directors individually.

### Remuneration of Directors and Officers (Year ended December 31, 1970)

| <i>Name of individual or<br/>identity of group</i>   | <i>Capacity in<br/>which remuneration<br/>was received</i> | <i>Aggregate<br/>remuneration</i> |
|--|--|-----------------------------------|
| 1. Each director whose aggregate remuneration exceeded \$30,000 per annum  | NIL  | NIL                               |
| 2. Each person who was one of the three highest paid officers whose aggregate remuneration exceeded \$30,000 per annum | NIL  | NIL                               |
| 3. All directors and officers as a group   | Directors  | \$2,800                           |

The aggregate number of directors who received the remuneration referred to above was six (6).

### Appointment of Auditors

As set forth in the Notice, action will be taken at the Meeting with respect to the appointment of auditors. The persons named in the attached Instrument of Proxy will vote the shares in respect of which they are appointed proxy, in favour of the appointment of the retiring auditors, Riddell, Stead & Co., which firm was first appointed as auditors at the Annual General Meeting of the Company held on October 27, 1967. The Management of the Company knows of no relationship between Riddell, Stead & Co., or any of its associates, and the Company or any of its subsidiaries or affiliates, except as auditors.

## Other Business

While there is no business of which the Management is aware to be presented for action by the shareholders at the Annual General Meeting other than that mentioned above, it is intended that the proxy votes hereby solicited will be exercised upon any other matters and proposals that may properly come before the Meeting, or any adjournment or adjournments thereof, in accordance with the discretion of the persons authorized to act thereunder.

## Management

From August 1, 1966, the Company has been managed by CIGOL under the terms of a management contract as of that date, which provides for the payment to CIGOL of \$6,000 per month, plus the reimbursement to CIGOL of all direct costs incurred in managing, supervising and controlling the Company's properties and operations. During the year ended December 31, 1970, the amount paid and payable by the Company to CIGOL was \$72,000.

As CIGOL is a subsidiary of Northern and Central Gas Corporation Limited, 4600 Toronto-Dominion Centre, Toronto 1, Ontario, the insiders of CIGOL include the directors and senior officers of its parent company and are shown in the accompanying schedule.

D. M. TYERMAN,  
Secretary.

Regina, Saskatchewan,  
Canada.

April 8, 1971.

## Insiders of Canadian Industrial Gas & Oil Ltd.

as at March 12, 1971

| Name                  | Position with<br>Canadian Industrial<br>Gas & Oil Ltd. | Position with Northern and<br>Central Gas Corporation<br>Limited | Residential Address   |
|-----------------------|--|--|---|
| ALEXANDER, E. Ryckman |  | Director   | 3, Westmount Square, Apt. 715,<br>Montreal 215, Quebec.     |
| BARKWELL, Donald D.   | Vice-President, Production                             |  | 1211 Lansdowne Avenue S.W.,<br>Calgary 6, Alberta.          |
| BATTLE, Edward G.     | Director & Executive<br>Vice-President                 |  | #903, 2105 - 90th Avenue S.W.,<br>Calgary 14, Alberta.      |
| BOVEY, Edmund C.      | Director & Chairman of<br>Executive Committee          | Director, President &<br>Chief Executive Officer                 | 33 York Ridge Road,<br>Willowdale, Ontario.                 |
| BOYCHUK, Olga         |  | Assistant Secretary  | 585, Avenue Road, Apt. 702,<br>Toronto 7, Ontario.          |
| BRANDT, Donald R.     | Director   |  | 9911, 136th Street,<br>Edmonton, Alberta.                   |
| CLARK, C. Spencer     | Director   | Director & Chairman of<br>the Board                              | Spring Drive, The Highlands,<br>Seattle, Washington, 98177. |
| CLARK, Donald G.      |  | Executive Vice-President,<br>Development                         | 39 Old Mill Road, Apt. 504,<br>Toronto 18, Ontario.         |
| COURTOIS, E. Jacques  |  | Director   | 9, Chelsea Place,<br>Montreal 109, Quebec.                  |
| CRADDOCK, Robert B.   | Director   | Director & Senior Vice-<br>President                             | "Pentana", Tuckers' Town,<br>Bermuda.                       |
| CROOKSTON, J. Ian     | Director   |  | 70 Ardworld Gate,<br>Toronto, Ontario.                      |
| CURRY, Peter D.       |  | Director   | 729 Wellington Crescent,<br>Winnipeg 9, Manitoba.           |



| Name                             | Position with<br>Canadian Industrial<br>Gas & Oil Ltd.                             | Position with Northern and<br>Central Gas Corporation<br>Limited | Residential Address  |
|----------------------------------|--|--|--|
| DAVIES, A. Kenneth               | Treasurer  |  | #801, 104 - 26th Avenue S.W.,<br>Calgary 3, Alberta.         |
| DEANS, M. Clifford               |  | Director   | 40 North Drive,<br>Islington, Ontario.                       |
| DUGUID, Alick S. G.              |  | Treasurer  | 2202 Breezy Brae Drive,<br>Cooksville, Ontario.              |
| DYCKMAN, Stewart R.              | Vice-President, Finance<br>& Services  |  | 612 Elbow Drive S.W.,<br>Calgary 6, Alberta.                 |
| ELLIOTT, Arthur R.               |  | Senior Vice-President,<br>Winnipeg                               | 221 Wellington Crescent, Apt.<br>10B, Winnipeg 9, Manitoba.  |
| FARMER, Alan                     |  | Vice-President   | 135 Suffolk Avenue,<br>Oakville, Ontario.                    |
| GALVIN, Edward A.                | Director, President, Chief<br>Executive Officer & Member<br>of Executive Committee | Director & Executive Vice-<br>President, Production              | 4103 Crestview Road S.W.,<br>Calgary 6, Alberta.             |
| HEFTER, George T.                | Vice-President, Liquefied<br>Petroleum Gas   |  | 90 Cherovan Drive S.W.,<br>Calgary 9, Alberta.               |
| HOVE, Adolph M.                  |  | Executive Vice-President<br>Utilities                            | 45 Blair-Athol Crescent,<br>Islington, Ontario.              |
| HOWARD, W. Ralph                 |  | Vice-President & Secretary                                       | 66 Mooreshead Drive,<br>Etobicoke, Ontario.                  |
| LEACH, A. Searle                 |  | Director   | 761 Wellington Crescent,<br>Winnipeg 9, Manitoba.            |
| LEROUX, Jean J.                  |  | Executive Vice-President,<br>Ontario                             | 44 Colonnade Road,<br>Willowdale, Ontario.                   |
| LOUCKS, Wilfrid A.               | Vice-President, Exploration  |  | 2609 - 10th Street S.W.,<br>Calgary 3, Alberta.              |
| LOVE, Richey B.                  | Director & Member of<br>Executive Committee  |  | Box 8351, Postal Station "F",<br>Calgary 13, Alberta.        |
| LOW, V. Theodore                 |  | Director   | Hickory Kingdom Road,<br>Bedford Village, New York, U.S.A.   |
| McKELVIE, Donald                 |  | Director   | 91 Niven Street,<br>New Liskeard, Ontario.                   |
| MOCKRIDGE, Harold C. F.,<br>Q.C. |  | Director   | 492 Russell Hill Road,<br>Toronto 7, Ontario.                |
| NOYES, Blancke                   |  | Director   | 373 Brookside Road,<br>Darien, Connecticut, U.S.A.           |
| ORBACH, John L. L.               |  | Vice-President, Overseas   | Small's Farm, Horsmonden,<br>Kent, England.                  |
| PEDEL, Mart                      |  | Assistant Treasurer  | 9 Wyvern Road,<br>Willowdale, Ontario.                       |
| PETERSON, Theodore O.            |  | Director   | 99 Wellington Crescent, Apt. 205,<br>Winnipeg 9, Manitoba.   |
| RENNIE, Russell G.               | Assistant Secretary  |  | 7103 - 5th Street S.W.,<br>Calgary 9, Alberta.               |
| SHEERES, Timothy G.              |  | Vice-President, Finance  | 52 Berkindale Drive,<br>Willowdale, Ontario.                 |
| SILLS, Laurence A.               | Secretary  |  | R.R. 2,<br>Okotoks, Alberta.                                 |
| TURNER, William I. M. Jr.        | Director   |  | 4294 Montrose Avenue,<br>Westmount, Montreal 217,<br>Quebec. |
| YARNELL, John R.                 | Director   |  | 109 Sunnyside Avenue,<br>Westmount, Montreal 217,<br>Quebec. |
| YEWMAN, F. Irving                |  | Vice-President & General<br>Manager, Ontario                     | 142 Allanhurst Drive,<br>Islington, Ontario.                 |

Solicited on Behalf of the Management  
**PRAIRIE OIL ROYALTIES COMPANY, LTD.**

**INSTRUMENT OF PROXY**

for

**Annual General Meeting to be held on**

**APRIL 27th, 1971**

I/WE the undersigned Shareholder(s) of Prairie Oil Royalties Company, Ltd. (hereinafter called the "Company") hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him E. G. BATTLE, or failing him E. A. GALVIN, or failing him S. R. DYCKMAN, as my/our proxy to attend, act and vote all of the shares of the Company which the undersigned may be entitled to vote at the Annual General Meeting of the Company, to be held on the 27th day of April, 1971, Notice of which Meeting has been received by the undersigned, and at any adjournment or adjournments thereof, and at every poll which may take place in consequence thereof with all the powers which the undersigned could exercise if personally present.

I/WE specifically instruct that the shares represented hereby be voted

- (a) for ☐ or against ☐ the approval of the Directors' Report, the Consolidated Financial Statements for the year ended December 31, 1970, and the Auditors' Report:
- (b) for ☐ or against ☐ the election of the directors named in the Proxy Statement:
- (c) for ☐ or against ☐ the appointment of Riddell, Stead & Co., Chartered Accountants, as auditors, and the delegation to the Board of Directors of the authority to determine the amount of the auditors' remuneration.

Authority may be exercised hereunder in accordance with the discretion of the person exercising the same as to any matters as to which the undersigned shareholder does not mark the foregoing ballots. Unless otherwise specified this Instrument of Proxy will be voted for each of the above. Discretionary authority may be exercised hereunder (i) with respect to such matters as are not known to be presented for action at the Meeting at the time of the solicitation of this Proxy, and (ii) with respect to the election of directors in the event of any unforeseen contingency.

The person or persons appointed as proxies herein and attending the Annual General Meeting will exercise their authority hereunder to demand a poll upon every vote which is taken at the Meeting.

The undersigned hereby revokes any Instrument of Proxy previously given and does further hereby ratify all that said Proxy may lawfully do in the premises.

WITNESS my hand this \_\_\_\_\_ day of \_\_\_\_\_, 1971.

No. of Shares \_\_\_\_\_

(Signature of Shareholder)

- NOTE: (a) In case the address of a shareholder signing this Instrument of Proxy appears on the records of the Company to be in the United States of America, it will not be used in connection with any vote on item (a) above.
- (b) The Instrument of Proxy shall be deposited with the Secretary of the Company, c/o Canada Permanent Trust Company, 315 Eighth Avenue S.W., Calgary 2, Alberta, Canada, not less than forty-eight (48) hours before the time fixed for the commencement of the Meeting; otherwise it shall be invalid.





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PRAIRIE OIL ROYALTIES  
COMPANY, LTD.

INTERIM REPORT  
To Shareholders  
For Six Months Ended  
June 30, 1971

640 Eighth Avenue S.W., Calgary 2, Alberta

PRINTED  
IN  
CANADA



# TO THE SHAREHOLDERS:

The unaudited consolidated statements of earnings and source and application of funds for the six months ended June 30, 1971 are appended hereto.

The Company participated in the drilling of 11 wells during the first half of 1971, resulting in two oil wells (.56 net) and 4 gas wells (.74 net).

In the Beatton-Milligan area of northeast British Columbia an oil well has been drilled adjacent to the acreage on which the Company made an oil discovery earlier this year. Development drilling is now in progress on, and adjacent to, the Company's lands.

The Panarctic King Christian N-06 well, located two miles southeast of the King Christian D-18A gas discovery, was spudded in May of this year. The N-06 well encountered a gas section in the Heiberg Sand similar to the D-18A well. Drilling is currently proceeding and the well is close to the projected depth of 10,000 feet. The Company and British Columbia Oil Lands Ltd., (35% owned) each will have a 3.2% working interest in these wells after Panarctic has earned its interest.

On Behalf of the Board of Directors

*L. J. Battle*

President

Calgary, Alberta.

August 13, 1971.

## CONSOLIDATED STATEMENT OF EARNINGS

Six Months Ended June 30, 1971 and 1970  
(unaudited)

|  | 1971             | 1970             |
|--|------------------|------------------|
| SALES AND OTHER REVENUE . . . . .            | \$475,934        | \$472,053        |
| EXPENSES                                     |                  |                  |
| Field operating expense . . . . .            | 37,907           | 38,399           |
| General and administrative expense . . . . . | 56,257           | 50,698           |
| Depletion . . . . .                          | 87,140           | 94,281           |
| Depreciation . . . . .                       | 26,849           | 25,122           |
|  | <u>208,153</u>   | <u>208,500</u>   |
| NET EARNINGS . . . . .                       | <u>\$267,781</u> | <u>\$263,553</u> |
| NET EARNINGS PER SHARE . . . . .             | 13.7¢            | 13.4¢            |

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Six Months Ended June 30, 1971 and 1970  
(unaudited)

|  | 1971               | 1970             |
|--|--------------------|------------------|
| FUNDS DERIVED FROM                               |                    |                  |
| Operations                                       |                    |                  |
| Net earnings . . . . .                           | \$267,781          | \$263,553        |
| Non-cash items . . . . .                         | 113,989            | 119,403          |
|  | <u>381,770</u>     | <u>382,956</u>   |
| FUNDS APPLIED TO                                 |                    |                  |
| Property, plant and equipment . . . . .          | 569,739            | 121,271          |
| DECREASE (INCREASE) IN WORKING CAPITAL . . . . . | <u>(\$187,969)</u> | <u>\$261,685</u> |